

Eli Jacobs Weighs Selling the Orioles

Financier Uneasy in Public Eye

By Bill Brubaker
Washington Post Staff Writer

Eli Jacobs, the New York-based financier, said this week he is considering selling the most publicized and scrutinized of his 25 companies: the Baltimore Orioles.

Jacobs said he has informed Baseball Commissioner Fay Vincent that he would like to resume a lower-profile life and devote more time to his varied business, civic, government and philanthropic interests.

"It's become very difficult for me to do justice to all of my commitments in a 168-hour week," said Jacobs, whose companies' annual revenues exceed \$5 billion. "So, as I look at my time commitments, I would consider the possibility of selling the Orioles to the right buyer."

"If I continue owning the Orioles, I'm going to pay a personal price in terms of my lifestyle. I haven't taken a vacation in almost a year and a half. And I don't think that's healthy."

Jacobs said he decided to explore a possible sale after two "serious" and "credible" investors, whom he declined to name, approached him in January and February. He said he retained the J.P. Morgan investment banking firm in March to assess the marketplace and evaluate potential buyers.

Jacobs's revelation comes at a time when two of his holdings—Memorex Telex N.V., a Dutch computer firm, and Triangle Pacific Corp., a cabinets and flooring company—are experiencing financial difficulties. Jacobs said these difficulties have had no effect on his Orioles business.

The Orioles, troubled with injuries this season, are in last place in the American League East. Still, this could be a favorable time for Jacobs to sell the team. In 1988, he headed a group that paid \$70 million for the team, and today the Orioles are believed to be worth upward of \$120 million. The entry fee for an expansion team in the National League is \$95 million.

The Orioles' value is enhanced by a \$105 million ballpark—designed in part by Jacobs and financed principally by state of Maryland lottery revenues—that will open next spring at Camden Yards, a 10-minute walk from the Inner Harbor tourist district and 50-minute drive from Capitol Hill.

Another incentive for an owner to sell now is that baseball may face economic problems because of sustained escalation of player salaries and heavy losses incurred by television networks CBS and ESPN in their contracts with baseball.

"This process [of considering a sale] was not initiated by me,"

Jacobs said. "I'm reacting to and pondering the possibility initiated by others. There's no rush to sell. But people have evidenced a high level of interest. There are people who think the Baltimore Orioles are a very strong franchise. But I would only sell to people of quality and substance who share my vision of what baseball in Baltimore is about."

Jacobs, 53, made these comments during a two-hour interview in New York this week. In the interview—and in an earlier one in Baltimore—the intensely private investor discussed a range of topics, from the Orioles' reluctance to tap into the free agent player market to

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reports—"totally untrue," he called them—that he has campaigned against an expansion team being awarded to Washington.

The son of a Newton, Mass., real estate investor, Jacobs amassed a fortune during the 1980s through leveraged buyouts: using borrowed money to acquire controlling interests in companies whose stock is publicly traded.

While that strategy was popular—and successful—in the '80s, it has created credit problems for Jacobs and other investors in the '90s. Memorex Telex, for example, expects to default on loan agreements involving about \$250 million in debt.

Jacobs said these credit problems have had little impact on his overall financial picture because the affected companies "represent a small fraction of my total assets." Jacobs has a net worth of more than \$500 million, according to a source familiar with his portfolio.

The \$70 million Jacobs's group paid to the estate of Washington lawyer Edward Bennett Williams for the Orioles in 1988 was a record price for a baseball team. Jacobs ended up with 87 percent of the club, putting \$35 million cash into the deal, according to an Orioles source. The club was acquired by Williams in 1979 for \$12 million.

The Orioles have finished second and fifth in the American League East under Jacobs's ownership. This season, as they fell to last place, the Orioles replaced their popular manager, Hall of Famer Frank Robinson, with first-base coach John Oates. In the midst of this turmoil, Jacobs—a confidant of senators, high-ranking White House officials and luminaries from the art and publishing worlds—has come under increasing scrutiny.

Around the club's offices, he is considered by some to be distant and aloof. Sports columnists in Baltimore and Washington have called him a tightwad, more concerned with hosting heavy hitters in his sky boxes—President Bush and Queen Elizabeth II were recent guests—than acquiring some for his lineup. On radio talk shows, fans have questioned whether he's committed to the team for the long haul.

"The long haul? What's the long haul?" Jacobs said in an interview May 24, the day after Robinson was fired. "Will I own the Orioles five or 10 years from now? . . . I never make predictions about futures. We live each day for that day. And the future just sort of takes care of itself.

"My commitment today to the Orioles is 100 percent."

This week, Jacobs spoke of the impact of his Orioles commitment on his many and varied activities. In addition to owning 25 companies that manufacture everything from toys to plastics to machinery, he serves, for example, on the board at Johns Hopkins University and on the citizens advisory panel established by the Senate Select Committee on Intelligence. He recently donated \$3 million to Johns Hopkins for glaucoma research.

"My view is that if one is involved in activities of these sorts, one should be a committed, active, engaged participant," he said. "I spend a great deal of time on the Orioles. I attend approximately 70 major league games a year. What I've found is that there are a number of other activities in life that give me great satisfaction."

In addition to the president and the queen, Jacobs's guests at Orioles games have included Vice President Dan Quayle, Defense Secretary Richard B. Cheney, CIA Director William H. Webster, Commerce Secretary Robert A. Mosbacher, Office of Management and Budget Director Richard G. Darman, Treasury Secretary Nicholas F. Brady and White House Chief of Staff John H. Sununu.

Federal government contracts accounted for about 5 percent of Memorex Telex's sales last year. But Jacobs said he does not discuss business with the government officials who visit his Memorial Stadium skybox. "We're all here to enjoy baseball," he said.

Some critics say there's nothing wrong with the Orioles that a few high-priced free agents wouldn't fix. The club has the second-lowest payroll in the major leagues (the Houston Astros' is lower) largely because it has shunned the free agent market and because many players on its youthful roster are ineligible for free agency (six years of major league service is required).

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The Orioles fielded some of baseball's finest teams from the mid-1960s to the early 1980s, when they won three World Series championships. During the mid-'80s, however, their owner, Williams, invested millions on free agents who flopped, and they lost a club record 107 games in 1988.

Jacobs has rebuilt the Orioles, for the most part, with less costly, home-grown talent: a blueprint developed (before Williams's death in August 1988) by team president and part owner Larry Lucchino, general manager Roland Hemond and player personnel director Doug Melvin. According to Hemond, the Orioles have increased their scouting and player development budget by 40 percent over the last three years.

"No one has established that there's a correlation between players' salaries and baseball performance," Jacobs said. "Perhaps the best illustration is the Cincinnati Reds, who had a payroll of approximately \$15 million last year. They beat the Oakland A's, who had a payroll in the 30 millions of dollars, in the World Series. And they beat them in four games.

"If you look at the empirical data, and you look at the clubs that spend large amounts of money—Kansas City and the Yankees being illustrations—it doesn't necessarily correlate with success."

Jacobs opened his wallet briefly to sign former Houston Astros slugger Glenn Davis to a one-year, \$3.275 million contract. Robinson said this spring he would have preferred a longer term contract for the star first baseman. Davis has been out most of the season with a neck injury.

"That's called the breaks of the game," Jacobs said. "I think luck is a factor in most enterprises. Luck has not been with us."

Jacobs fell silent when asked last month if he would like to re-sign Davis when he becomes a free agent next season. Five seconds passed. Ten seconds. Twenty. Fi-

nally, Jacobs said, "I'd like to see how Glenn Davis does this year."

Buttoned-down and bottom-line, Eli Solomon Jacobs has been an unlikely baseball owner: in a business that attracts immense public interest, he shuns the spotlight. Although he was managing editor of the Yale Daily News and is on the Times-Mirror publishing company's board of directors, Jacobs seems wary of the media and goes out of his way to avoid publicity.

In the late '70s, Jacobs took the unusual step of hiring a public relations agency, Kekst and Co., to keep him out of the newspapers. "I've always been a private person for as long as I can remember," he said. "Now you're about to ask: Then why did I buy the Baltimore Orioles?"

The bespectacled, 6-foot-3, 220-pound investor said he bought the club because of a lifelong interest in baseball—he was a Boston Red Sox fan as a child—and because the Orioles are among "the best franchises in all of sports."

As a new baseball owner Jacobs, whose name rarely had appeared in the press, was courted immediately by sports and business writers. When reporters called, he typically referred baseball questions to Lucchino, who owns 9 percent of the club. (The remaining 4 percent is held by R. Sargent Shriver, a lawyer who was founding director of the Peace Corps, and his son, Bobby Shriver, a venture capitalist.)

"I greatly underestimated the amount of public attention that attaches to owning a major league baseball team," Jacobs said this week. "There are some people who don't enjoy having high profiles. And there are some who do. I would prefer that I live a normal, ordinary life. It's very hard to live a normal, ordinary life when you own a major sports franchise."

Several newspapers have reported in recent weeks that Jacobs tried to discourage other baseball owners from permitting an expansion team in Washington, a market in which the Orioles sell about 25 percent of their game tickets. Washington is one of six cities vying

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for two National League teams scheduled to be awarded this year.

"I don't know where the rumors come from but they are totally untrue," Jacobs said. "... The Orioles have no position on baseball in Washington, other than the position that if our vote were required we would vote for baseball in Washington. ... We would not want to be the reason why baseball didn't come to Washington."

As Orioles owner, Jacobs leaves most of the day-to-day business to Lucchino, but he has played a direct role in big-money decisions such as Davis's contract and in the new 46,500-seat ballpark, which he calls "my pride and joy."

With the exception of Lucchino, with whom he speaks virtually every day, Jacobs has had little personal contact with club employees. He flies to see the team play in one of his two private jets and is uncomfortable schmoozing with club officials and slapping players on their backs. In an interview this spring, Robinson, the former manager, said he'd had only "three or four" private conversations with Jacobs in two seasons.

Much of Hemond's interaction with Jacobs has been in the owner's skybox. "He'll say, 'Roland, can you come over ... and answer questions [that Jacobs and his guests have] about the players or things that have transpired on the field?'" Hemond said.

Lucchino, who was the Orioles' vice president and general counsel during Williams's ownership, said it took "some time" to become accustomed to Jacobs's style.

"Ed Williams was not a person who believed in long-winded, rambling telephone conversations," Lucchino said. "But even as quick and brief to the point as Ed's conversations were, my conversations with Eli are even more so. You know. Bang! Get to the point. Boom! Let's move on. ... This is the way Eli operates."

Jacobs, who is divorced, owns houses in Owings Mills, Md., and Los Angeles and resides at the Hotel Pierre when he's in New York. If he sells the team, he said he'll keep his Maryland house, have a skybox in the new stadium and continue rooting for the Orioles.

"Do I like the idea of selling? No," Jacobs said. "I'm a committed baseball fan."

Still, on some summer nights, instead of catching a doubleheader, Jacobs said he may prefer choosing a book from his 10,000-volume library and returning to the world he cherishes: anonymity.

"Before I bought the Orioles, I was able to read two or three serious books a week," he said. "Now my reading has dropped to one book every two or three weeks. I'd like to go back to reading two or three serious books a week. At the moment, that's impossible."